Mr. Borden

Exhibit C-25-5.

A SUBMISSION BY THE COMMISSIONERS OF THE CITY

OF EDMONTON TO ROYAL COMMISSION ON ENERGY.

February 10th, 1958.

A Submission by the Commissioners of The City of Edmonton to Royal Commission on Energy

Speaking as Commissioners for the City of Edmonton we consider that such subjects as the gas and oil reserves of Alberta are in the competent care of the Alberta Oil and Gas Conservation Board. Our concern in this brief submission will be to outline the special problems of a municipal government that is the involuntary heir of some of the advantages and many of the financial problems that have stemmed directly from the finding of great oil and gas resources in this Province.

We think that Canadians should have first call upon Canadian energy sources of gas and oil. If this means a relatively slower sale and exhaustion of Canadian oil and gas reserves than will occur if long term and high rate delivery to the American market is permitted, then this does not appear too serious a matter.

We believe that natural gas is a unique heating fuel for which there is no comparable substitute available or in sight. We do not fear that technology will render gas obsolete as a fuel in Alberta and we believe that it will be in steady and increasing demand for many years to come.

Conclusion:

1. We believe that Canadian Natural gas should first be distributed to Canadian population centers if it can be delivered at a commercially competitive price.

2. If those Canadian needs that are economically sound are first met, then the American market should be supplied with our natural gas, but export licenses should only be granted under the following conditions:-

1st - with the annual maximum take-out carefully controlled by contract;

2nd - with initial contracts for the take-out limited to a 20-year period - renewable thereafter only if it is to the benefit of the Canadian economy.

3. The submission by the Municipal Corporation of the City of Edmonton that is made as paragraph 2 above is premised upon the statement made by the Alberta Oil and Gas Conservation Board which we accept without reservation, namely, that the reserves of natural gas within this Province are sufficient to meet both the domestic and the export demands that may be put upon the supply over a 30-year period.

Observations:

Edmonton does not accept the argument that because gas is in mounting foreign demand the gas to be used in Alberta for domestic fuel (or for commercial fuel in such places as the City of Edmonton Power Plant) should be allowed to greatly increase in price. This is a natural resource in which Albertans have a vested interest.

We Albertans do not feel apologetic because geography and geology have given us a favored position with respect to natural gas. Because of the cold winters in Western Canada the amount of fuel, be it coal or gas, that must be consumed to keep our houses warm is considerably greater than the amount consumed in other parts of the

country, and it is only by obtaining gas at low prices that the overall cost of space heating in insulated buildings can be kept in line with the cost of such heating in other parts of the country. Some parts of Canada have cheap rail or water transportation, or nearness to markets to keep their commodity prices down and their industries flourishing. Lacking such advantages we do have low-priced gas here and we say it should be kept low priced for a long long time. In the Edmonton area alone Northwestern Utilities Limited during 1957 sold almost 25,000,000 MCF of gas to commercial and industrial users. We have been advised that the Company expects this quantity to increase very materially in the years that lie immediately ahead. It seems probable to us that any substantial increase in the price of gas to commercial and industrial users can only have the result of discouraging such users from increasing their plant investment in the Edmonton area. In the past few years the Industrial Commissioner for Edmonton advises that commercial construction that has resulted directly or indirectly from oil and gas discoveries totals about 500 million~~s~~ of dollars. We are fearful that if the cost of natural gas increases substantially then a most material incentive to industry to locate in the Edmonton area will be gone.

Under franchise from the City of Edmonton Northwestern Utilities Ltd. supplies to the Edmonton area (ie. Edmonton, Beverly, Jasper Place and Edmonton rural) 60,000 customers of whom some 50,000 are domestic consumers who each have, on a conservative estimate, $1,000 invested in gas installations and appliances making a $50,000,000 investment in natural gas by citizens of this area.

Consumption in the Edmonton area through Northwestern Utilities Ltd. facilities alone totals 36,500,000 MCF yearly (1957

figures). This consumption includes domestic, commercial and industrial gas. Of the total consumption of 36.5 billion cubic feet, some 7 billion cubic feet are consumed at the Edmonton Power Plant alone. Edmonton people have used natural gas as a fuel since 1923 and they have a right to expect that it will continue available to them on reasonable terms.

The figures of the Provincial Department of Mines and Minerals show approximate sales of natural gas in Alberta for 1957 as 112,000,000 MCF. Hence the Edmonton area consumers now use annually about one third of all the gas sold in Alberta. Northwestern Utilities Ltd. serves much of Northern Alberta as far south as and including Red Deer and the figures are:-

Gross sales by Northwestern Utilities to all types of customers of its system in 1957	46,200,000 MCF
Gross sales by Northwestern Utilities to all types of customers IN THE EDMONTON AREA in 1957 .	36,500,000 MCF

Some might say that the indirect financial return to the Corporation of the City of Edmonton via Provincial revenue distribution following export of gas will more than compensate for the increased cost of gas to domestic users and commercial users of gas who are located in Alberta. This is not necessarily true for a major population area like the City of Edmonton. The Deputy Minister of Mines and Minerals for Alberta told your commission that in the 10 years from 1948 to 1957 inclusive Provincial revenue from oil and gas averaged in excess of $72,000,000. annually; yet in that same 10 years the debt of Edmonton increased from $22,857,433. to $127,559,139. Edmonton's population increased rapidly from 1948 on, and the heavy borrowing was the direct result of the population increase and the

arrival of additional industry. In the statement of Premier Manning to your commission at the openings of these hearings it is clear that the Government of the Province is anxious to increase industrialization in the Province and the City Commissioners enthusiastically endorse further industrialization to broaden the economic base of our Province. However, the industrialization of Alberta actually means industrialization of the municipalities of Alberta, and such progress would entail the influx of population that would concentrate largely in the urban centers, and such concentration will only serve to aggravate the already onerous debt burden placed upon the municipalities to provide the services necessary to our new population. The two points we choose to make from the above figures are:-

1. The Municipal Corporation of Edmonton has no assurance that it will be granted as a matter of right such a share in the revenue accruing to the Province from the export of natural gas as will justly compensate its residents if the gas that they buy each month goes up sharply in price due chiefly to the demand for gas in far places;

2. When the oil and gas discoveries brought industry and people to Northern Alberta a few of the results to the municipal government were:

   (i) Immense increases in highway costs and sewage treatment costs and utility extension costs;

   (ii) Immense increases in school costs;

   (iii) Increased costs, generally for hospitals etc.

These costs have to be met largely from one major source - real property assessment. Because this is so the same decade that

has seen the Province eliminate the Provincial debt has seen the debt of this city rise to almost six times what it was in 1948, a situation that would be further aggravated if gas export has the effect hoped for by the Province, namely increased population and industrialization. For that reason the cities and towns of Alberta should obtain greater monetary benefits through gas sales than has been the case in the past when gas and oil were exported and the benefit SHOULD BE PROPORTIONATE TO THE URBAN EXPENSE CONNECTED THEREWITH.

We appreciate that it is not easy to evolve a formula that will give the field investors of Alberta a chance to profit from their investment while still maintaining a price level for gas in Alberta that is weighted in favor of Albertans. We think, however, that the Crown reserves system of field development represents an existing means by which equity can be done to all. If a part of the Crown reserves of the Province abutting proven sweet gas fields and as near as possible to the cities, could only be bought by Alberta utility companies to supply our Alberta needs then utility companies in the business of selling gas to Albertans for Alberta use could be assured of a source of supply at a price that would be maintained at a reasonable level since export gas pipeline needs could not have a call on this part of the Provincial supply. Such a scheme would avoid the unfairness involved in earmarking certain fields wholly for domestic needs because the risk capital of the proven well owners would not then be tied up. The Province would be the trustee of the asset and it could afford to await its profit from a gas pool when a private well owner could not and should not expect to await his return. Another way the Province could ensure not only

supply but supply at reasonable prices to Alberta users of gas would be for the Government to exchange drilling sites near its major population centers and take them off the potential export market, giving oil and gas companies other acreage in good areas not so close to the cities in the exchange. Such wells or well sites should then be earmarked for use by domestic gas companies serving Alberta industry and Alberta home owners.

The Federal Government could make it a condition of export that any Province wishing to grant export gas permits should withhold from sale such a part of its crown reserves in probable or proven fields as would ensure not only a supply but a supply at a fair price to those who by reason of residence in the field area had a right to expect some protection from the normal effects of demand upon commodity price. Perhaps this would involve a Federal Regulatory Board with terms of reference comparable to those of Public Utility Boards such as exists in the Province of Alberta.

The other obvious benefit to the Canadian economy of such a plan as we have suggested would be that companies wishing to use comparatively cheap gas available from local gas utility companies would be encouraged to locate in the Province where the gas was being extracted instead of at distant centers often in foreign lands.

In 1957 there was about 62,000,000 MCF of gas flared in Alberta. Thus well owners flared 135% of all the gas that was sold by the Northwestern Utilities system in Northern Alberta. ~~While~~ we appreciate that much of this flaring is standard field practice and not all gas can be economically gathered yet we worry with cause about the waste of gas that ~~will~~ accompany large scale oil and gas

extraction when the tempo of such extraction is stepped-up to the vast figures that export companies are seeking for the Canadian and American market.

~~The only point that we make in this connection is that even now when Alberta's producing wells are operating at less than 45% of permissable production enough gas is flared annually to more than meet all of Northern Alberta's annual gas consumption needs. Does this mean that with export of gas this flaring of gas will increase to immense proportions. If such is to be the shape of things to come then we submit that before major export of gas from Alberta begins the 15% royalty on natural gas or residue gas consumed for a useful purpose be reviewed. Surely a formula could be developed that increased the royalty to any field operators who flared excessive quantities of gas. We do not know where the solution lies but we suggest the situation is one that should concern your Commissioners.~~

We have dealt herein with the principles that we believe are valid and highly important and the details can be harmoniously and equitably settled if the principles can be agreed to. Our thoughts may be summarized as follows:

1. We believe that the development of natural gas resources must be carefully planned and closely supervised by the Provincial Government and that the distribution of the revenue that will follow such export must be distributed in proportion to the corresponding problems that the development has brought to urban municipalities in Alberta.

2. Merely because far away consumers of natural gas are willing to pay higher prices and will use larger quantities than Albertans is no justification for a substantial increase in the price of gas to Albertans. If the only wells from which natural gas for Alberta use can be bought for the cities and towns of Alberta are the very wells that can sell instead for export then the price paid locally for gas is bound to increase sharply and steadily and the contracts entered into with field owners of gas by such companies as Alberta and Southern show this to be the case.

3. Gas export to the United States is desirable as we are assured that an adequate reserve exists in Alberta for Alberta needs, but we think it is only proper that every Canadian market for Alberta gas that can be reached on a sound business basis should be considered before the whole export gas amount is contracted to foreign buyers.

4. The same reasons that led to the creation of Public Utility Boards in Provinces indicate the wisdom of a Federal Public Utilities Board that would be concerned with natural gas.

5. Finally, Edmonton is at a disadvantage when competing for industry with cities located closer to the population concentrations of Canada. Such industries as do locate here to make use of Alberta oil and gas deserve the same assurance that we seek for our private citizens who consume gas, namely, protection from a steady escalation in natural gas costs brought about by the export demand for the gas. In that connection we have suggested that the Province is the logical trustee of a part of this natural gas reserve and should be required

to reserve a part from any export so that it is in place at an attractive price for those individuals and businesses who make Alberta their home.

The Commissioners of Edmonton.

Mayor. Wm Hawrelak

Commissioner ________________

Commissioner ________________